

Innovate BC

2021/22
Annual Service Plan Report
August 2022



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Board Chair's Accountability Statement



The *Innovate BC 2021/22 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2021/22 – 2023/24 Service Plan* created in April 2021. The Board is accountable for those results as reported.

A handwritten signature in black ink that reads "Andrew Petter". The signature is written in a cursive style and is positioned above a thin horizontal line.

Andrew Petter, CM, QC
Board Chair
July 19, 2022

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Letter from the Board Chair & CEO

In 2021/2022, Innovate BC adopted a revised five-year Strategic Plan that commits the agency to fostering innovation across the province so that all British Columbians can benefit from a thriving, sustainable and inclusive innovation economy.

Innovate BC's Strategic Plan seeks to strengthen B.C.'s innovation ecosystem in four priority areas: increasing the innovation capacities of B.C.'s industries, businesses, and communities; fostering connectivity within the innovation ecosystem; informing and shaping government innovation policy; and growing profile and awareness of Innovate BC's work on behalf of the province.

The revised Strategic Plan aligns with the [2021/22 Mandate Letter](#) given to Innovate BC by the Minister of Jobs, Economic Recovery and Innovation. It also supports the goals of the [StrongerBC Economic Plan](#) by fostering innovation across the provincial economy.

Through its programming, Innovate BC promoted inclusive talent development through programs such as the Innovator Skills Initiative and Digital Skills for Youth (DS4Y); helped businesses become more productive and scale-up with the Digital Economy: Rapid Response + Resiliency Program (DER3) and the Venture Acceleration Program; and fostered technology adoption through programs such as BC Fast and Ignite. The Innovate BC team also supported and maintained an extensive range of partnerships with businesses, innovators, public agencies and post-secondary institutions, and expanded programming to enhance entrepreneurship training and to support regional development.

Innovate BC observed Crown Agencies and Board Resourcing Office policies and best practices, as well as utilized outcome-based metrics, including measures of job creation and investment. In 2021/2022, the agency continued quarterly assessments of performance and finances, and its CEO met regularly with Government to advance initiatives that supported and accelerated commercialization in the province and to ensure that Innovate BC's programs align with government priorities.

Andrew Petter



Board Chair, Innovate BC
July 19, 2022

Raghwa Gopal



President & CEO, Innovate BC
July 19, 2022

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

Purpose of the Organization

Established under the [Innovate BC Act](#), the agency helps foster innovation so that British Columbians in all regions of the province can benefit from a thriving, sustainable and inclusive innovation economy. Innovate BC funds and delivers programs that support the growth of the B.C. economy by helping companies start and scale, train talent that meets labour market needs, and encourage technology development, commercialization and adoption.

Based on Innovate BC's mandate letter, its responsibilities are to:

- Provide input into Government's development of technology and innovation policy, particularly related to program development.
- Build and maintain strategic partnerships with technology and innovation stakeholders in industry, academia, other governments and across regions.
- Develop and deliver tools, resources, expert guidance, programs, and initiatives that strengthen entrepreneurship development and increase company growth, accelerate technology commercialization, adoption and diffusion, and support job creation, ensuring that the benefits of technology and innovation are felt around the province, inclusive of underrepresented groups, including IBPOC (Indigenous, Black and People of Colour), and rural and northern communities.
- In collaboration with the Ministry of Jobs, Economic Recovery and Innovation and key partners, support the development of a Provincial vision for innovation.
- Provide options on how to support the BC Fast Pilot program (a program that assists B.C. businesses to secure their first paying customer).
- Continue supporting commercialization and adoption of tech solutions that support key industries in B.C.
- Provide options on how to support work placements (i.e. Innovator Skills Initiative) to prioritize placements for women, Indigenous people, people of colour and others currently underrepresented in BC's tech sector, including baseline data on current representation;
- Work with Government, the post-secondary system, industry, and other private sector training providers to identify strategies and an implementation plan for British Columbians to pursue online courses to re-skill for the digital economy.
- Support Government in the implementation of strategic initiatives identified throughout the year that leverage technology and innovation to support economic recovery.

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021/22 Mandate Letter](#) from the Minister responsible shaped the goals, objectives, performance measures, and financial plan outlined in the [2021/22 Innovate BC Service Plan](#) and actual results reported on in this annual report.

Operating Environment

Innovate BC operates with support from its primary funder, the Ministry of Jobs, Economic Recovery and Innovation. B.C.'s innovation economy is a long-term opportunity and requires partners at all levels of government, institutions, and the private sector to remain committed.

In 2021/22, Innovate BC played a critical role in strengthening B.C.'s innovation economy and supporting the economic recovery in the province by delivering high-impact programs in the areas of talent development, tech development and adoption, as well as business growth and mentorship.

Small- and medium-sized enterprises (SMEs) in B.C. continued to face obstacles because of the COVID-19 pandemic last fiscal year. As a response, Innovate BC delivered the Digital Economy: Rapid Response + Resiliency Program (DER3) to support SMEs across B.C. adopt digital technologies and develop digital skills. This program enabled them to enhance resiliency as well as maintain or even increase profits during the pandemic.

Another significant challenge for SMEs is access to capital. To address this, Innovate BC delivered the Ignite program, funding innovation projects by B.C.-based technology companies in the natural resources and applied sciences. In partnership with the federal Industrial Research Assistance Program (IRAP), Innovate BC also administered the BC Fast Pilot program, which funded B.C.-based SMEs to design, build and operate a pilot plant or small demonstration site for their technology in real-world conditions.

In 2021/22, business across different industries were challenged by a skills shortage and an increasingly competitive landscape for talent. A skilled labour force is required to meet the growing need for technology-related jobs, within the tech sector as well as in other sectors. Innovate BC administered the expanded Innovator Skills Initiative program, which helps underrepresented people get their first job in B.C.'s tech sector and supports companies facing skills shortages to grow. In addition, Innovate BC delivered the Digital Skills for Youth program, which provided funding to companies who hire underemployed youth aged 15 to 30.

Over the past year, Innovate BC also assisted B.C. companies with accessing federal funding programs and partnered with the federal government and other funding agencies to leverage program funding for B.C. companies.

British Columbia's economic recovery strengthened in 2021. B.C.'s real GDP growth of 6.2 per cent was the second highest among provinces (behind Prince Edward Island), following a contraction of 3.4 per cent in 2020. Growth in B.C.'s real GDP was mostly driven by service-producing industries such as real estate, rental and leasing, healthcare and social assistance, and professional, scientific and technical services. Goods-producing industries also experienced growth with gains in most sectors, led by mining, quarrying and oil and gas extraction. While B.C.'s recovery broadened in 2021, it remained uneven as sectors such as accommodation and

food services, and arts, entertainment and recreation have yet to fully recover to pre-pandemic levels. B.C.'s labour market strengthened in 2021, with employment growth of 6.6 per cent while wages and salaries increased by 11.3 per cent. Consumer spending on goods remained at elevated levels and nominal retail sales posted overall growth of 12.6 per cent. Meanwhile, inflation grew throughout the year and increased by 2.8 per cent on an annual basis, largely due to supply-chain disruptions, resilient demand for goods and services, and high energy prices. Residential construction activity reached a record high in 2021, with housing starts increasing by 25.6 per cent. At the same time, home sales also reached a record high in 2021 while the average home sale price saw double-digit increases. On the external front, B.C.'s international merchandise exports grew by 36.0 per cent, reflecting a combination of the recovery in global demand and higher commodity prices amid impacts from the B.C. floods and landslides in November 2021.

Report on Performance: Goals, Objectives, Measures and Targets

The goals, objectives and strategies outlined in this plan are in alignment with Government's strategic priorities. To ensure continued alignment in 2021/22, Innovate BC met quarterly with Government to discuss performance, finances and the implementation of initiatives that directly support and accelerate commercialization in the province.

Goal 1: Encourage the Development and Application of Advanced or Innovative Technology to Meet the Needs of Industry and Support Provincial Priority Areas

Objective 1: Facilitate the Commercialization of Innovative Technology

Commercialization is an entrepreneurial activity that takes a technology or intellectual property, creates a business around it, and introduces the new product or service to the market. Innovate BC's objective of facilitating the commercialization of innovative technology is supported by a range of strategies, including its network of acceleration programs, outreach to industry to understand market challenges, matching innovators with industry-driven needs and opportunities and funding research projects.

Key Highlights

- Matched innovators with industry-driven needs and opportunities, with focus on areas where B.C. has a competitive advantage.
- Delivered the Ignite Program, which provided funding to eight new B.C. academic and industry awardees to accelerate commercialization of new technologies and innovations in the natural resources and applied sciences sectors.
- Through the BC Fast program, funded 14 SMEs to design, build and operate demonstration sites for their technology in order to demonstrate impact in real-world conditions and drive customer adoption.
- Jointly hosted the Aquaculture Innovation Awards with the B.C. Government. This initiative encouraged sustainable growth, competitiveness and adaptability of the aquaculture sector in B.C. by funding innovations that solve challenges faced by aquaculture.
- Provided market validation training and other support to early-stage companies to commercialize concepts through the Venture Acceleration Program, which is delivered

by a network of accelerators (the BC Acceleration Network) and Executives-in-Residence (EIRs) throughout the province.

- Strategically assisted B.C. companies across all sectors to increase their competitive advantage through the adoption of innovative technology.
- Sponsored the Innovate BC-New Ventures Competition, which awards education, mentorship, and prizes to B.C.’s top new start-ups.

Performance Measure	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
1.1 Percentage of Innovate BC-funded companies who have made progress towards commercialization. ¹	97	86	97	86	86

¹ Data source: Progress reports from program partners and/or program participants. This measure is based on participant surveys and presents the percentage of companies that have reported having majority or all milestones on track or completed in their plan towards commercialization.

Discussion of Results

Innovate BC delivers programs and initiatives that help innovative technologies reach the market (commercialization). Innovate BC’s Ignite and BC Fast Pilot programs consider the viability of an innovation or technology to commercialize within a defined time period. These programs then provide direct support to selected innovations on their path towards commercialization and track progress through reports. Program participants reporting on their positive progress towards commercialization as a result of Innovate BC support indicates that the programs are having the desired impact: facilitating and accelerating the commercialization of promising innovations.

Targets selected for measure 1.1 were based on benchmarks and data from previous years of Innovate BC operations, notably Ignite awardee progress reports. Innovate BC exceeded the target for this measure in 2021/22, despite businesses facing the ongoing economic impacts of the COVID-19 pandemic. The awardees in these Innovate BC programs were able to make significant progress towards the commercialization of their innovations to solve known industry needs and benefit industry in B.C. and the global market.

Goal 2: Strengthen Entrepreneurship and Talent Development in B.C.

Objective 2.1: Develop and Enhance Entrepreneurial and Technology Skills and Expertise

Innovate BC works with its program partners, including accelerators and post-secondary institutions, to mentor entrepreneurs and train young professionals, the future leaders in business and technology in B.C., to become successful. By training entrepreneurs and developing their skills, companies are more likely to succeed and grow, creating well-paying jobs in B.C. and strengthening our local economy. By training young professionals to work at technology companies and become future entrepreneurs, Innovate BC’s programs help to develop talent that will support the growth and success of B.C. companies now and in the future. Innovate BC is expanding the reach of this objective by targeting programs to increase participation and

opportunities for underrepresented groups. Innovate BC has also enhanced its support offerings to entrepreneurs during the COVID-19 pandemic.

Key Highlights

- Delivered the Innovator Skills Initiative to help underrepresented people obtain their first job in the tech sector and to support companies facing skills shortages to grow.
- 188 youth participated in Digital Skills for Youth, a program that aims to increase employability of underemployed youth through employment opportunities with SMEs and digital skill training.
- Provided mentorship and training through Innovate BC’s B.C.-based network of EIRs and accelerators through the BC Acceleration Network.
- Provided educational programming virtually to entrepreneurs across B.C. focused on a wide variety of topics, including startup learnings, marketing, as well as diversity, equity and inclusion.
- Sponsored and promoted appropriate conferences, competitions and events that provide valuable education and networking opportunities, including the Innovate BC-New Ventures BC Competition; Links to Learning webinars with CANDO; Globe Forum; and OKGN Angel Summit.

Performance Measures	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
2.1a The percentage of participants in Venture Acceleration Program and/or Scale-Up program who report that programs have a high value impact in advancing their entrepreneurial skills. ¹	69	87	65	87	87
2.1b The percentage of students previously employed by a company through a talent development program that were subsequently hired by the same company. ²	76	50	69	50	50

¹Data Source: Participant responses from the Venture Acceleration and ScaleUp Programs. This measure is based on participant surveys where high value is defined as a value of 8 or more on a 10-point evaluation scale.

² Data Source: Final reporting from program participants of the Digital Skills for Youth Program at the close of the employment opportunity.

Discussion of Results

Innovate BC was below target for measure 2.1a. This measure provides confirmation from entrepreneurs and businesses that Innovate BC-funded programs provided them with entrepreneurial skills and expertise to advance their businesses. However, the target was set prior to the COVID-19 pandemic based on data collected in previous years. Given the challenges experienced by companies during the COVID-19 pandemic and subsequent impacts, this result points to a needed shift and expansion in training to encompass all aspects of organizational and entrepreneurial resilience to future disruptions. Based on these results, Innovate BC has begun to review and adapt its programs to make some necessary shifts, details of which will be covered in future reports.

Innovate BC exceeded the target for measure 2.1b. This measure was calculated using participant responses from the Digital Skills for Youth Program. This program supported companies to hire and train youth in technology and digital economy related roles. The program provided critical and valuable support to companies facing skill shortages and opportunities for career-oriented employment for individuals. As a result, many businesses opted to retain employees following the program placement to help further their company’s growth.

Goal 3: Increase Company Growth and Expansion

Objective 3.1: Deliver Programs and Services that Help Companies Increase Revenue, Jobs and Investment

Innovate BC and its partners deliver programs that help entrepreneurs start companies, connect with experts, and validate their markets. In addition, Innovate BC provides high-potential companies with enhanced support, including mentorship workshops, and connections to capital and new market opportunities. Through programs that encourage company growth and expansion, Innovate BC aims to drive sustainable company growth, while ensuring the benefits of this growth are felt in all regions of the province.

Key Highlights

- Through the Venture Acceleration Program, ScaleUp program and Innovate BC-New Ventures BC Competition, Innovate BC assisted high-potential companies to identify critical talent, capital, and market opportunities to increase jobs and accelerate revenue growth.
- Through its B.C.-based network of EIRs and accelerators, Innovate BC provided high-potential companies with tailored input and assistance as to how they can best prepare and position their companies to capitalize on growth and industry opportunities.
- Delivered the Ignite and BC Fast programs to strategically assist B.C. companies across different sectors to increase their competitive advantage through the development and adoption of innovative technology.
- Delivered hiring grant programs, including Digital Skills for Youth and Innovator Skills Initiative, that enabled B.C. tech employers to hire entry-level talent, freeing up experienced team members to focus on revenue-generating projects.

Performance Measures	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
3.1a The percentage of participants in Innovate BC-funded programs who report that Innovate BC’s programs have a high value impact in advancing their technology venture. ¹	87	87	86	87	87
3.1b The percentage of companies that took part in the Venture Acceleration Program that generated revenue, jobs and/or investment. ²	61	75	88	75	75

¹ Data Source: Participant responses from the Venture Acceleration Program, ScaleUp, New Ventures BC Competition, BC Fast Pilot Program, Ignite Program, Innovator Skills Initiative, and Digital Skills for Youth Program.

² Data Source: Participant responses from the Venture Acceleration Program.

Discussion of Results

Innovate BC was slightly below the target for measure 3.1a. The goal of this metric is to support programs that provide a high value to technology entrepreneurs, equipping them with the knowledge and tools to advance their technology ventures. Given the challenges experienced by companies during the COVID-19 pandemic, their focus was on organizational survival, and where possible on market and talent retention as opposed to solely on growth.

Innovate BC is well above the target for measure 3.1b. Validation of Innovate BC's programs at this high percentile demonstrates the significant value of the Venture Acceleration Program on the generation of revenue, jobs, and investment for businesses. These results indicate that Innovate BC's Venture Acceleration Program is having the desired impact of increasing company growth and/or expansion.

Goal 4: Support Government in the Implementation of Strategic Initiatives that Strengthen B.C.'s Position as a Preferred Location for New and Emerging Technologies

Objective 4.1: Support Entrepreneurs to be Successful in Building Their Companies in B.C.

Innovate BC invests in programs for entrepreneurs who will build their companies in our province. This is so the benefits resulting from company growth (job creation, economic growth, first access to innovation) are felt by British Columbians. Innovate BC also focuses on programs that support companies in later stages to help keep talent and jobs in B.C.

Key Highlights

- Worked with partners to focus program resources on entrepreneurs who can achieve early customer acquisition while maintaining base operations in B.C.
- Provided regional support in the form of curated solutions and match-making innovators to potential buyers for early validation and a roadmap to global markets.
- Worked with government to encourage the purchase of innovative technology products that allow for more efficient delivery of government services.
- Hosted events that introduced industry to made-in-B.C. technologies and innovations, and connected local innovators to real market opportunities, with a focus on regional and underrepresented groups.

Performance Measure	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
4.1a The percentage of participants in Innovate BC-funded programs who are assessed as being able to be successful in their venture without needing to leave B.C. to do so. ¹	95	95	99	95	95

¹Data Source: Participant responses from the Venture Acceleration, ScaleUp Program, and New Ventures BC Competition.

Discussion of Results

Innovate BC exceeded its target for this measure in 2021/22. Entrepreneurs with early-stage innovative concepts and business ventures are highly mobile. For many, it is tempting to move to new locations outside of B.C. to be near their key customers, suppliers or financiers. Innovate BC encourages companies to grow and stay in B.C. to avoid committing taxpayer resources to ventures that may create jobs elsewhere.

As a result of quality programs, the majority of ventures supported by Innovate BC-funded programs have demonstrated they can be successful without needing to leave B.C. While these programs are highly effective in equipping the next cohort of entrepreneurs with drive and resources to stay in this province, it is conceivable that a small percentage of entrepreneurs will need to exit B.C. to be successful.

Financial Report

For the auditor's report and audited financial statements, [see Appendix B](#). These can also be found on the Innovate BC's [website](#).

Discussion of Results

Innovate BC's core operations and activities are funded by the Province of B.C. through the Ministry of Jobs, Economic Recovery and Innovation's contribution of \$6.09 million. With these funds, Innovate BC will continue to leverage partnerships across the province to develop and deliver programs that meet its mandate. To deliver the best returns on investments, Innovate BC's partners are encouraged to leverage other funding sources, public and private, to gain additional sources of revenue.

In 2021/22, the Province of British Columbia provided an additional one-time funding of \$15 million for the expanded Innovator Skills Initiative program to help underrepresented groups to get their first job in the tech sector and help businesses address talent shortages for technology. Of the \$15 million received, \$13.93 million was spent and \$1.07 million was deferred to 2023. The program was delivered in partnership with Mitacs, the Information and Communications Technology Council and the BC Tech Association.

In 2021/2022 Innovate BC received \$5.09 million from the Federal Government for the DS4Y and DER3 programs, which was not included in the budget.

A summary of Innovate BC's financial results is presented in the Financial Summary section. This financial information was prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Financial Summary¹

(\$000)	2020/21 Actual	2021/22 Budget ⁵	2021/22 Actual	2021/22 Variance
Revenue				
By Major Sources				
Province of British Columbia	6,090	21,090	20,019	(1,071)
Government of Canada	6,803	990	6,087	5,097
NRAS Endowment ²	1,767	1,745	2,164	419
Internal Program Funding ³	1,102	1,065	579	(486)
Other Income & Recoveries	472	200	209	9
Total Revenue	16,234	25,090	29,058	3,968
Expenses⁴				
By Program Area or Function				
Programs and Initiatives	11,924	20,169	24,085	3,916
NRAS Endowment	1,646	1,745	2,070	325
Salaries and Benefits	2,000	2,150	1,947	(203)
Rent	349	348	362	14
Amortization	43	38	44	6
Operational & Administrative Expenses	254	640	529	(111)
Total Expenses	16,216	25,090	29,037	3,947
Net Income	18	0	21	21
Total [Liabilities/Debt]	0	0	0	0
Capital Expenditures	37	50	34	(16)
Accumulated Surplus	57,097	57,058	55,997⁶	(1,061)

Note 1: The above financial information was prepared based Public Sector Accounting Standards (PSAS) and section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. When expenses support a range of service delivery activities, they are allocated to those service activities.

Note 2: For a breakdown of the NRAS Endowment, see Audited Financial Statements — Note 7, Natural Resources and Applied Science Research Endowment.

Note 3: Internal program funding includes deferred revenue from the Province. For a breakdown, see Audited Financial Statements (Note 6).

Note 4: For a detailed breakdown of expenses, see Audited Financial Statements (Note 13), Expenses by Object 2021/22.

Note 5: Budget figures are based on Innovate BC's 2021/22-2023/24 Service Plan.

Note 6: Accumulated Surplus decreased by \$1.121 million due to the remeasurement loss. See Audited Financial Statements (Note 5).

Variance and Trend Analysis

The Financial Summary table shows Innovate BC's actual revenue totalled \$29.06 million in 2021/22, which is \$3.97 million more than the budget. The major changes reflect provincial and federal revenues.

\$15 million in one-time funding was received from the Province of British Columbia for the 2021/22 Innovator Skills Initiative program. Of this amount, \$13.93 million was disbursed to recipients and recognized as revenue, and \$1.07 million was deferred for use in the next fiscal year.

Revenues from the Government of Canada increased by \$5.1 million from budget in 2021/22. Innovate BC received \$3.4 million for the DS4Y program funded by Innovation, Science and Economic Development Canada. This program provides training and experience related to digital skills to underemployed post-secondary graduates. Western Economic Diversification Canada provided \$1.7 million for the DER3 program. This program provides business support services in response to COVID 19.

NRAS Endowment revenue increased marginally due to the payment of additional awards that were completed and expensed. The costs of administering the NRAS Endowment are included under the Salaries and Benefits expense category.

Program initiatives were \$3.9 million higher than budget mainly due to the delivery of the DS4Y and the DER3 programs, which were not included in the original budget.

Salaries and benefits were lower than budgeted due to unfulfilled vacancies during part of the year and leaves.

Operational and administrative expenses were marginally lower than budget due to COVID-19, reduced office expenses and travel.

Accumulated surplus decreased due to accumulated remeasurement losses of (\$1.12) million. Remeasurement losses are unrealized losses in the value of the NRAS Endowment.

Risks and Uncertainties

Innovate BC's programs are primarily funded by core funding from the Province of B.C. with the organization aligning its funding to programs that meet its mandate. Innovate BC has limited access to its restricted funds (funds accumulated from past years that were not spent and have been directed to future programs).

Grants from the Federal Government are uncertain.

Interest returns on investments decreased on investments re-invested in the current year due to significantly lower rates. Future interest returns are unknown.

The COVID-19 outbreak was declared in March 2020 by the World Health Organization, and it continues to be present as of March 31, 2022. Innovate BC was able to re-allocate savings from

reduced travel and event expenses due to COVID-19 to programs and initiatives. As the duration and magnitude of the impact is uncertain, an estimate of the future financial effect on Innovate BC cannot be predicted at this time.

The success of Innovate BC is dependent on the abilities, experience, efforts and knowledge of its senior management and other key personnel and the organization may not be able to attract and retain additional qualified personnel as needed in the future.

Innovate BC continues to work to secure additional funding from the federal government and other sources.

Appendix A: Additional Information

Organizational Overview

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- [Mandate provided in enabling statute](#)
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- [Benefit Innovate BC provides the public](#)
- [Principle partners, clients and stakeholders](#)
- [Program delivery](#)

Corporate Governance

- [Role and membership list of the Board of Directors](#)
- [Board Committees and Members](#)
- [Names and job titles of senior management](#)
- [Governance principles](#)
- [Significant reporting relationships](#)

Contact Information

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Appendix B: Auditor's Report and Audited Financial Statements



Financial statements

Innovate BC

March 31, 2022

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Statement of Management Responsibility

Scope of Responsibility

Management has supervised preparation of the accompanying financial statements and related note disclosures and is responsible for their integrity and objectivity. The financial statements of Innovate BC have been prepared by management in accordance with Canadian public sector accounting standards.

We believe that these financial statements present fairly Innovate BC's financial position as at March 31, 2022 and the statement of operations and accumulated surplus, change in net financial assets, changes in net remeasurement gains and losses and cash flows for the year ending March 31, 2022 and that the other information contained in the entity's annual report is consistent with the financial statements as presented.

Internal Controls

Management is responsible for the integrity of the financial statements and has established systems of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to facilitate the preparation of the financial statements in a timely manner. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. We believe our system of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the financial statements are prevented or detected in the normal course of business.

Board of Directors and Audit and Finance Committee

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's discharge of its financial reporting responsibilities. An Audit and Finance Committee is appointed by the Board. The Audit and Finance Committee reviews the financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit and Finance Committee has reviewed these statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

Independent Auditors

Grant Thornton has performed an independent audit of the financial statements of Innovate BC. The Auditor's Report, as attached, outlines the scope of this independent audit and expresses an opinion on the financial statements of Innovate BC.



Raghwa Gopal
Chief Executive Officer



Jennie Choboter
Secretary & CFO

Vancouver, British Columbia
May 12, 2022

Independent Auditor's Report

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To the Board of Directors of **Innovate BC**

To the Ministry of Jobs, Economic Recovery and Innovation (JERI)

Opinion

We have audited the financial statements of Innovate BC, which comprise the statement of financial position as at March 31, 2022, and the statements of operations and accumulated operating surplus, changes in net financial assets, changes in net remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Innovate BC as at March 31, 2022, and its results of operations, its changes in its net financial assets, net remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Innovate BC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Innovate BC's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate Innovate BC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Innovate BC's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Innovate BC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Innovate BC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Innovate BC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Vancouver, Canada
May 12, 2022

Chartered Professional Accountants

Innovate BC

Statement of Financial Position

March 31

2022

2021

Financial assets

Cash and cash equivalents	\$ 18,058,651	\$ 3,093,797
Investments (Note 3)	2,165,075	7,019,823
Receivables		
Accounts and accrued interest receivable	14,501	26,938
Accounts receivable from Federal Government	163,624	3,714,909
	<u>20,401,851</u>	<u>13,855,467</u>

Liabilities

Accounts payable and accrued liabilities	7,459,596	578,185
Deferred program revenues (Note 6)	2,421,714	1,923,569
Deferred revenue from NRAS endowment (Note 7)	3,624,189	4,554,045
	<u>13,505,499</u>	<u>7,055,799</u>

Net financial assets

<u>6,896,352</u>	<u>6,799,668</u>
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Non-financial assets

Restricted - NRAS endowment investments (Note 7)	48,879,097	50,000,000
Tangible capital assets (Note 4)	142,151	153,048
Prepaid expenses	79,243	144,157
	<u>49,100,491</u>	<u>50,297,205</u>

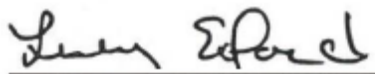
Accumulated surplus


<u>55,996,843</u>	<u>57,096,873</u>
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Accumulated surplus is comprised of:

Accumulated operating surplus	\$ 57,117,746	\$ 57,096,873
Accumulated remeasurement losses	(1,120,903)	
	<u>\$ 55,996,843</u>	<u>\$ 57,096,873</u>

Commitments and contingencies (Note 8)
 Contractual obligations (Note 9)
 Impact of COVID-19 (Note 16)

 Director

 Director

Innovate BC**Statement of Operations and Accumulated Operating Surplus**

Year ended March 31	Budget 2022	2022	2021
Revenue			
Grants from the Province of British Columbia (Note 12)	\$ 21,090,000	\$ 20,018,939	\$ 6,090,000
Grants from the Federal Government (Note 16)	990,000	6,087,236	6,803,229
NRAS endowment (Note 7)	1,745,000	2,163,440	1,766,871
Program revenue	1,065,000	579,184	1,101,462
Other	45,000	66,027	293,075
Interest	155,000	142,764	179,233
	<u>25,090,000</u>	<u>29,057,590</u>	<u>16,233,870</u>
Expenses			
Programs and initiatives	21,269,000	25,188,781	12,977,182
NRAS endowment funds	1,745,000	2,163,440	1,766,871
Operational and administrative expenses	2,076,000	1,684,496	1,471,528
	<u>25,090,000</u>	<u>29,036,717</u>	<u>16,215,581</u>
Annual surplus	-	20,873	18,289
Accumulated surplus, beginning of year	<u>57,096,873</u>	<u>57,096,873</u>	<u>57,078,584</u>
Accumulated surplus, end of year	<u>\$ 57,096,873</u>	<u>\$ 57,117,746</u>	<u>\$ 57,096,873</u>

Innovate BC

Statement of Remeasurement Gains and Losses

Year ended March 31

2022

2021

Accumulated remeasurement gains, beginning of year	\$	-	\$	-
Net remeasurement losses for the year		<u>(1,120,903)</u>		<u>-</u>
Accumulated remeasurement losses, end of year	\$	<u>(1,120,903)</u>	\$	<u>-</u>

Innovate BC**Statement of Changes in Net Financial Assets**

Year ended March 31	Budget 2022	2022	2021
Annual surplus	\$ -	\$ 20,873	\$ 18,289
Additions to tangible capital assets	(50,000)	(33,642)	(36,549)
Amortization of tangible capital assets	-	44,340	43,468
Disposition of tangible capital assets	-	7,466	5,563
Accumulated amortization of disposition	-	(7,267)	(3,691)
	<u>(50,000)</u>	<u>31,770</u>	<u>27,080</u>
Acquisition of prepaid expenses	-	(97,316)	(167,356)
Use of prepaid expenses	-	162,230	57,410
	<u>-</u>	<u>64,914</u>	<u>(109,946)</u>
Change in net financial assets	(50,000)	96,684	(82,866)
Net financial assets, beginning of year	<u>6,799,668</u>	<u>6,799,668</u>	<u>6,882,534</u>
Net financial assets, end of year	<u>\$ 6,749,668</u>	<u>\$ 6,896,352</u>	<u>\$ 6,799,668</u>

Innovate BC

Statement of Cash Flows

Year ended March 31

2022

2021

Cash derived from (applied to)		
Operating activities		
Operating surplus	\$ 20,873	\$ 18,289
Adjustments for items not affecting cash		
Amortization of tangible capital assets	44,340	43,468
Loss on disposal of tangible capital assets	199	1,872
	<u>65,412</u>	<u>63,629</u>
Changes in non-cash working capital items		
Accounts receivable	3,563,722	(3,509,870)
Prepaid expenses	64,914	(109,946)
Accounts payable and accrued liabilities	6,881,411	326,304
Deferred program revenues	498,145	(1,077,263)
Deferred revenue from NRAS endowment	(929,856)	(287,827)
	<u>10,143,748</u>	<u>(4,594,973)</u>
Financing		
Purchase of tangible capital assets	<u>(33,642)</u>	<u>(36,549)</u>
Investments:		
Purchase of investments	(22,055,660)	(2,766,297)
Proceeds on maturity of investments	26,910,408	6,422,569
	<u>4,854,748</u>	<u>3,656,272</u>
Net increase in cash	14,964,854	(975,250)
Cash and cash equivalents, beginning of year	<u>3,093,797</u>	<u>4,069,047</u>
Cash and cash equivalents, end of year	<u>\$ 18,058,651</u>	<u>\$ 3,093,797</u>
<hr/>		
Cash and cash equivalents		
Unrestricted	\$ 13,142,572	\$ 402,185
Restricted - deferred programs (Note 6)	2,421,714	917,493
Restricted - NRAS endowment (Note 7)	2,494,365	1,774,119
	<u>\$ 18,058,651</u>	<u>\$ 3,093,797</u>

Innovate BC

Notes to the Financial Statements

March 31, 2022

1. Nature of operations

Innovate BC, formerly the British Columbia Innovation Council (the “Council”), was established on March 15, 2018 by an amendment of the British Columbia Innovation Council Act. The Council was initially established in 2006 as the Innovation and Science Council of British Columbia.

Innovate BC is governed by a Board of Directors, appointed by the provincial government of British Columbia (the “Province”). Innovate BC is exempt from the payment of income taxes under Section 149 of the Income Tax Act.

Under Section 13 of the Act, the directors, officers, and employees of Innovate BC have certain immunities in the exercise of their duties carried out in the connection with Innovate BC.

Innovate BC helps foster innovation in B.C. so that British Columbians in all regions of the province can benefit from a thriving, sustainable and inclusive innovation economy. A Crown Agency of British Columbia, Innovate BC funds and delivers programs that support the growth of the B.C. economy by helping companies start and scale, train talent that meets labour market needs, and encourage technology development, commercialization and adoption.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards (“PSAS”) established by the Canadian Public Sector Accounting Board.

Cash and cash equivalents

Cash and cash equivalents include all balances held at banks and investments with a term to maturity of 90 days or less at the date of acquisition.

Revenue recognition

Unrestricted contributions are recorded as revenue when received or receivable, if the amounts can be estimated and collection is reasonably assured. Other unrestricted revenue, including sales of services, are reported as revenue at the time the services are provided, or the goods delivered.

Investment income on unrestricted assets is recognized as revenue when it is earned. Investment income that is subject to external restrictions is deferred and recognized as revenue in the year in which the related expense is incurred.

Transfers from governments with restrictions are deferred and recognized as revenue when they are spent in accordance with the stipulations in the related agreements. Transfers from governments without restrictions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as revenue when received. Investment income earned from restricted cash and investments related to the endowment funds are deferred and recognized as revenue when they are spent or disbursed in accordance with the restrictions of the endowment.

Innovate BC

Notes to the Financial Statements

March 31, 2022

2. Summary of significant accounting policies (continued)

Revenue recognition

Contributions externally restricted for non-capital specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the stipulations are met.

Budget figures

The budget figures presented in these financial statements are based on the fiscal year 2022 operating budget, approved by the Board of Directors on February 18, 2021.

Financial instruments

Financial instruments are classified into two categories: fair value or amortized cost.

Investments in fixed income securities, which include investments with original terms to maturity of greater than 90 days, are recorded at amortized cost plus accrued interest, which approximates market value. Income on these investments is recognized in the Statement of Operations and Accumulated Surplus over the period of time the investments are held, except for those that are restricted in use. The income from investments that are restricted in use are included within deferred revenue and recognized in the Statement of Operations and Accumulated Surplus when restrictions are satisfied.

The restricted NRAS endowment investments portfolio held with British Columbia Investment Management Corporation, which includes investments in various equity funds, is recorded at market value.

Investments in privately-held corporations are recorded at a nominal market value.

Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are included in the cost of the related investments.

Other financial instruments such as cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, are recorded at amortized cost, which approximate their fair value due to their short-term maturities.

Tangible capital assets

Tangible capital assets are initially recorded at cost which includes amounts that are directly attributed to acquisition, construction, development, or betterment of the asset. The historical cost, less residual value, of the tangible capital assets is amortized commencing at the time the asset is available for use based on the methods and rates as shown in the schedule below:

Furniture, fixtures and equipment	20% declining balance
Computer hardware and software	33% declining balance
Leasehold improvements	Straight line over the lesser of the term of the lease and the useful life of the asset

When events or circumstances indicate that a tangible capital asset no longer has any long-term service potential, the net carrying amount is written down to the residual value of the asset.

Innovate BC

Notes to the Financial Statements

March 31, 2022

2. Summary of significant accounting policies (continued)

Prepaid expenses

Prepaid expenses are recorded at cost and amortized over the period where the benefits are received.

Employee future benefits

Innovate BC accrues employee vacation entitlements, included in accounts payable and accrued liabilities. Innovate BC is a member of the Public Service Pension Plan (Note 11). Defined contribution plan accounting is applied to the multi-employer defined benefit plan and, accordingly, contributions are expensed when paid or payable.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas requiring the use of management estimates include the determination of useful lives of tangible capital assets for amortization and the accrual of liabilities. When actual results differ from the estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

Innovate BC

Notes to the Financial Statements

March 31, 2022

3. Investments

Innovate BC's investments are invested mainly through RBC Dominion Securities Inc. (RBCD) and British Columbia Investment Management Corporation (BCI).

Short term investments include the following:

	<u>2022</u>	<u>2021</u>
Unrestricted	\$ 1,035,251	\$ 3,233,821
Restricted - deferred programs	-	1,006,076
Restricted - NRAS endowment	<u>1,129,824</u>	<u>2,779,926</u>
	<u>\$ 2,165,075</u>	<u>\$ 7,019,823</u>

During the year ended March 31, 2022, Innovate BC established an investment portfolio through BCI and invested \$23,100,000 of the NRAS endowment funds in the portfolio. The portfolio market value as at March 31, 2022 is \$22,063,435. To optimize returns on investments, the securities asset mix are invested in accordance with the Innovate BC Statement of Investment Policies and Procedures, which is reviewed by the Board of Directors.

At March 31, 2022, Innovate BC had funds invested with RBCD at book value of \$29,925,000 and amortized cost of \$30,232,509.

Included in unrestricted investments are shares of previous British Columbia Advanced Systems Foundation ("ASI") program participant private corporations received in exchange for all or a portion of loan or royalty interests. As at March 31, 2022, Innovate BC has assessed these shares of privately-held corporations to have nominal market value of \$1 each for each company shareholding. The estimated market value of the long-term investments as at March 31, 2022 is \$5 (2021 - \$5).

Innovate BC

Notes to the Financial Statements

March 31, 2022

4. Tangible capital assets

Cost	Balance,		Disposals	Balance,	
	March 31, 2021	Additions		March 31, 2022	
Furniture, fixtures and equipment	\$ 263,900	\$ 11,130	-	\$	275,030
Computer hardware and software	417,889	22,512	7,466		432,935
Leasehold improvements	169,859	-	-		169,859
	<u>\$ 851,648</u>	<u>\$ 33,642</u>	<u>\$ 7,466</u>	<u>\$</u>	<u>877,824</u>
Accumulated Amortization	Balance,		Disposals	Balance,	
	March 31, 2021	Amortization		March 31, 2022	
Furniture, fixtures and equipment	\$ 201,367	\$ 13,951	\$ -	\$	215,318
Computer hardware and software	387,397	14,977	7,267		395,107
Leasehold improvements	109,836	15,412	-		125,248
	<u>\$ 698,600</u>	<u>\$ 44,340</u>	<u>\$ 7,267</u>	<u>\$</u>	<u>735,673</u>
Net book value	2021		2022		
Furniture, fixtures and equipment	\$ 62,533			\$ 59,712	
Computer hardware and software	30,492			37,828	
Leasehold improvements	60,023			44,611	
	<u>\$ 153,048</u>			<u>\$ 142,151</u>	

5. Accumulated surplus

Accumulated surplus is comprised of the following:

	2022	2021
Invested in tangible capital assets	\$ 142,151	\$ 153,048
NRAS endowment	50,000,000	50,000,000
Remeasurement loss	(1,120,903)	-
Unrestricted	6,975,595	6,943,825
	<u>\$ 55,996,843</u>	<u>\$ 57,096,873</u>

Innovate BC

Notes to the Financial Statements

March 31, 2022

6. Deferred program revenues

	Balance, March 31, 2021	Funds Received	Funds expended	Balance, March 31, 2022
Agriculture Science and Innovation	\$ 277,801	\$ -	\$ (101,732)	\$ 176,069
LEEF Student Program	917,493	6,268	(5,300)	918,461
Aquaculture & Environment Research	369,402	-	(369,402)	-
Industrial Innovation Scholarship	102,750	-	(102,750)	-
Innovator Skills Initiative	-	15,000,000	(13,928,939)	1,071,061
#BCTECH Summit	256,123	-	-	256,123
	<u>\$ 1,923,569</u>	<u>\$ 15,006,268</u>	<u>\$ (14,508,123)</u>	<u>\$ 2,421,714</u>

Deferred funds are restricted for future program expenses.

7. Natural Resources and Applied Science Research Endowment (NRAS)

In fiscal year 2005/2006, Innovate BC was charged with stewarding an endowment contribution of \$50,000,000 from the Ministry of Economic Development. Investment earnings are restricted for the support of training, research and development in natural resources and applied sciences.

As at March 31, 2022, restricted cash and investments are comprised of the following:

	2022	2021
BCI investments in equity funds	\$ 22,063,435	\$ -
RBCD investments in fixed income securities	26,815,662	50,000,000
Permanently restricted NRAS endowment investments	48,879,097	50,000,000
Unspent interest earnings	3,624,189	4,554,045
	<u>\$ 52,503,286</u>	<u>\$ 54,554,045</u>

Deferred revenue from the NRAS endowment balance comprises the following:

	2022	2021
Accumulated interest, beginning of year	\$ 4,554,045	\$ 4,841,872
Interest earned net of fees	1,233,584	1,479,044
Awards and administration fees	(2,163,440)	(1,766,871)
Accumulated interest, end of year	<u>\$ 3,624,189</u>	<u>\$ 4,554,045</u>

Unspent interest includes \$3,183,500 (2021 - \$2,853,025) which is committed for future payments of contracted awards (Note 9). During the year ended March 31, 2022, Innovate BC paid Ignite Awards totaling \$1,994,525 (2021 - \$1,523,551) to research projects in natural resources and applied sciences.

Innovate BC

Notes to the Financial Statements

March 31, 2022

8. Commitments and contingencies

(a) Operating leases:

Innovate BC has entered into operating leases for their premises and certain office equipment. Total estimated lease payments up to the end of the lease terms are as follows:

2023	\$	375,327
2024		381,267
2025		317,633
2026		1,569
		<hr/>
	\$	1,075,796

(b) Contingencies:

From time to time, Innovate BC is subject to certain legal proceedings and claims which arise in the ordinary course of business. The outcome of such claims is undeterminable at this time and accordingly no provision has been made for these claims.

9. Contractual obligations

Innovate BC has entered into a number of project grant contracts as at March 31, 2022 to provide future funding of research projects to be completed subsequent to year-end. These contractual obligations are funded in installments and payments are due based on the satisfaction of conditions included in the contracts. As such, no liability has been accrued in the financial statements as Innovate BC is not liable for payments until these conditions have been met.

The contractual obligations of Innovate BC are as follows:

	<u>2022</u>	<u>2021</u>
Ignite awards	\$ 3,183,500	\$ 2,853,025
Venture Acceleration Program	1,230,000	115,000
B.C. Fast Pilot	25,000	-
	<hr/>	<hr/>
	\$ 4,438,500	\$ 2,968,025

Innovate BC

Notes to the Financial Statements

March 31, 2022

10. Contractual rights

Innovate BC has entered into a lease contracts with third parties, and are entitled to receive payments to the end of the contract terms as follows:

2023	\$	52,678
2024		44,656
2025		14,948
		<hr/>
	\$	112,282
		<hr/>

11. Employee future benefits

Innovate BC and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the Public Sector Pension Plans Act (the "Act"). The Public Service Pension Board of Trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. As the Plan is a multi-employer, defined benefit plan, Innovate BC accounts for its payments on the basis of a defined contribution plan. As at March 31, 2022 the Plan covers approximately 68,000 active employees.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The latest actuarial valuation as at March 31, 2020, indicated a funding surplus of \$2,667,000,000 for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2023, with results available in early 2024.

During the year ended March 31, 2022, Innovate BC paid and expensed \$129,021 (2021 - \$134,534) for contributions to the Plan.

12. Related party transactions

Innovate BC is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended March 31, 2022, Innovate BC received \$21,090,000 (2021 - \$6,090,000) in provincial funding from the Ministry of Jobs, Economic Recovery and Innovation (JERI).

Innovate BC

Notes to the Financial Statements

March 31, 2022

13. Expenses by object

The following is a summary of expenses by object:

	<u>2022</u>	<u>2021</u>
Program expenses and disbursements	\$ 26,154,288	\$ 13,570,483
Salaries and benefits	1,946,621	1,999,790
Rent	362,482	348,478
Contracted services	144,136	64,830
Office expenses	64,871	86,892
Amortization	44,340	43,468
Other costs	319,979	101,640
	<u>\$ 29,036,717</u>	<u>\$ 16,215,581</u>

14. Financial risk management

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligation resulting in a financial loss. For cash and accounts receivable, Innovate BC's credit risk is limited to the carrying value on the statement of financial position. Management does not believe that Innovate BC is subject to any significant concentration of credit risk. There have been no changes to the risk exposure from the prior year.

(b) Liquidity risk:

Liquidity risk is the risk that Innovate BC is not able to meet its financial obligations on a timely basis or at a reasonable cost. Innovate BC has established budget processes and regularly monitors cash flows to ensure the necessary funds are on hand to fulfill upcoming obligations. There have been no changes to the risk exposure from the prior year.

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect Innovate BC's income. Innovate BC utilizes market risk management to control market risk exposures to within acceptable parameters while optimizing the return on risk. Innovate BC is exposed to market risk on its investments with BCIMC.

Innovate BC

Notes to the Financial Statements

March 31, 2022

15. Fair value of financial instruments

Canadian public sector accounting standards define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination.

The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Innovate BC's investments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there was no transfer of securities between the different levels.

Innovate BC's investments are invested mainly through RBC Dominion Securities Inc. (RBCD) and British Columbia Investment Management Corporation (BCI).

Innovate BC

Notes to the Financial Statements

March 31, 2022

16. Impact of COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization, and it is present as at March 31, 2022. At the time of the approval of these financial statements, Innovate BC has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- a. Based on the public health recommendation to cancel gatherings larger than 50 people, there were fewer staff participation in events and continued work from home protocols;
- b. Innovate BC delivered the Digital Rapid Response and Resiliency Program, providing business support services in response to the economic impact the COVID-19 crisis. The program was funded by Western Economic Diversification Canada (WD) and \$1,686,000 (2021 - \$2,950,000) has been recognized as income in the current period on the statement of operations;
- c. Innovate BC delivered Digital Skills for Youth (DS4Y) to help underemployed post-secondary graduates enhance and develop digital and soft skills through work and training to improve their employability and use their talent to their full potential and succeed in the digital economy. The program was funded by Innovation, Sciences and Economic Development Canada and will continue in the next fiscal year and \$4,401,236 (2021 - \$3,853,229) has been recognized as income in the current period on the statement of operations;
- d. Innovate BC delivered the expanded Innovator Skills Initiative program funded by the Province of British Columbia, to help underrepresented groups to get their first job in the tech sector and help businesses address talent shortages for technology. The program was delivered in partnership with Mitacs, Information and Communications Technology Council and the BC Tech Association. The Province of British Columbia provided \$15,000,000 for the 2021/22 – 2022/23 program. In the current year, \$13,928,939 has been recognized as income and \$1,071,061 has been deferred for the program delivery in next fiscal year.

Management has assessed the financial impact of changes to work arrangements, and additional expenses related to the COVID-19 pandemic, and the corresponding adjustments have been reflected in these financial statements.

Potential future impact on Innovate BC's business could affect future revenue. As the situation is dynamic and the ultimate duration and magnitude of the impact is uncertain, an estimate of the future financial effect on Innovate BC is not practicable at this time.

17. Comparative figures

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the current year.
